

## **Municipality of Chatham-Kent**

### **Finance, Budget, Information Technology & Transformation**

#### **Financial Services**

**To:** Mayor and Members of Council

**From:** Matt Torrance, MBA, CPA, CGA  
Director, Financial Services

**Date:** March 8, 2021

**Subject:** 2020 Request for Encumbrance Reserve

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#### **Recommendations**

It is recommended that:

1. An encumbrance reserve of \$1,590,691 be approved and carried forward to 2021 to allow for the completion of projects approved during the 2020 budget.
2. \$103,705 be transferred to the Tourism Reserve from the Tourism operating budget.

#### **Background**

##### **Encumbrance Reserve**

Certain undertakings within the authorized operating budget that were not yet completed, or work not yet started by the end of December 2020, require funds to be set aside for these items in 2021. Public Sector Accounting Board (PSAB) guidelines concerning liabilities came into effect September 1, 2004. The PSAB guidelines provide guidance for applying the definition of a liability. Items not yet completed but committed are treated as payables, as the municipality does not have a realistic alternative to change or avoid the obligation. The encumbrance reserve represents items in the approved budget that are uncommitted and could be cancelled by Council.

The Municipal Act allows municipalities to create reserves to accommodate these situations. By authorizing the creation of this reserve for encumbrances, Council is matching expenditures to the year in which the revenue was raised.

Projects within the capital and lifecycle budgets, approved but not yet completed, are automatically carried over to 2021 in lifecycle reserves or in the capital fund, but are not encumbrances and are not included in this report. Lifecycle budgets include bridges, roads, public works, and computer equipment allocations.

The recommendations in this report are consistent with the accounting treatment used in the year-end financial statements.

### Transfers to Reserves

A Tourism Reserve was established in 2014. The favourable variances from Tourism have been moved to this reserve since 2014, which resulted in a reserve balance of \$469,042. It is recommended that an additional \$103,705 of favourable variances from Tourism in 2020 be transferred to this reserve, which would bring the balance of the reserve to \$572,747. The intention of this reserve is to fund the implementation of the Tourism Master Plan, which will be brought forward to Council at a future date.

### Comments

The attached Appendix A provides a breakdown of the requests by division within the departmental structure. The actual amounts may be lower, subject to final year-end results.

### Areas of Strategic Focus and Critical Success Factors

The recommendations in this report support the following areas of strategic focus:

- Economic Prosperity:  
Chatham-Kent is an innovative and thriving community with a diversified economy
- A Healthy and Safe Community:  
Chatham-Kent is a healthy and safe community with sustainable population growth
- People and Culture:  
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community
- Environmental Sustainability:  
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendations in this report support the following critical success factors:

- Financial Sustainability:  
The Corporation of the Municipality of Chatham-Kent is financially sustainable
- Open, Transparent and Effective Governance:  
The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership
- Has the potential to support all areas of strategic focus & critical success factors
- Neutral issues (does not support negatively or positively)

**Consultation**

Each department contributed to this report by identifying the amounts to be reserved and explaining how the item met the definition of an encumbrance.

**Financial Implications**

Reserves and encumbrances identified are set aside and will only occur provided allocations do not create a departmental or corporate deficit.

There is no impact on the 2020 or 2021 budgets.

Prepared by:

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Reviewed by:

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Chief Financial Officer, Treasurer

Attachment(s): Appendix A – 2020 Encumbrance Requests

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APPENDIX A

2020 ENCUMBRANCE REQUESTS

Dept/Division	Issue	Account	Request	Explanation
<b>Non Operating</b>				
Grants - Tax Relief	Heritage Tax - Residential	10002.65002.HERRES	\$321,586	Heritage rebate applications outstanding
<b>Community Development</b>				
Planning Services	Project Costs	12803.52126.GEN	\$24,071	Heritage - Special Projects
	Contracts	12828.52051.GEN	\$83,112	Contract extended with UTVCA and ERCA extended until end of 2023 (see Nov 23-20 TTC)
Economic Development	Studies	12829.50037.CLIMCHG	\$50,000	Climate Change - Council Approved Terms of Reference in Nov 2019 - work to be restarted in 2021
	Outside Planning Costs	12823.50082.GEN	\$94,189	For Wallaceburg Secondary Plan (see Oct-19 RTC)
	Project Costs	11051.52126.GEN	\$11,000	Leader's Cabinet initiative to be completed in 2021
Tourism	Project Costs	11050.52126.GEN	\$22,500	RTC approved Dec 7/20 to sole source WE Data platform tool - project to be completed and implemented in early 2021
	Project Costs	11054.52126.TDADMIN	\$11,805	Incomplete video project work - delayed due to Covid
	Design / Printing	11054.62035.TDSLWTWN	\$8,353	Incomplete travel writer project - delayed due to COVID
	Marketing	11054.62030.TDSPROJ	\$6,000	Marketing photography - delayed due to COVID
Resident Attraction	Project Costs	11054.52126.TDSWOTC	\$3,653	Leveraged funds secured for projects based on SWOTC
	Meeting Expenses	12010.61021.YPADVICE	\$2,842	CK Young People Advisory Committee Strategic Planning conducted in 2019/20, continued implementation in 2021
	Advertising	12045.62015.ECETA	\$79,082	Talent Attraction marketing campaign for ECEs with CCEY.
	Marketing	12045.62030.GEN	\$8,297	Talent Attraction marketing campaign commenced in 2020 to continue in 2021
<b>Community Human Services</b>				
Culture	Programs - Exhibitions	12231.62185.GEN	\$4,520	Cancelled Exhibit to be re-booked in 2021
	Project Costs	12231.52126.GIFTSH	\$11,440	Gift shop surplus to offset special exhibits and programs
Libraries	Materials / Books	12713.39018.GEN	\$100,000	Materials / books on order
	Supplies	12733.62445.LBHEALK	\$2,290	Supplies for Healthy Kids
<b>Infrastructure and Engineering Services</b>				
Engineering & Traffic	Consulting Fees	16325.50037.TRAF	\$5,325	Consulting fees for Traffic Calming portion of Master Plan continuing into 2021
	Computer Software	16326.39026.TRAF	\$6,000	Traffic specific software to be ordered in 2021 and licensing fees
	Contracts	16502.52051.MRM	\$193,620	Sandbag program - ongoing - information report to Council in progress to determine direction
<b>Finance, Budget &amp; Information Services</b>				
Financial Services	Training / Development	13201.27016.GEN	\$30,000	Training requirements due to significant staff turnover
	Project Costs	13201.52126.GEN	\$12,000	JDE Software Optimization
Budget and Performance Services	Software Support/Maintenance Fees	13251.52171.GEN	\$15,000	FMW upgrades to facilitate multi-year budgeting
Information Technology Services	Software Support/Maintenance Fees	13848.52171.MSLIC	\$70,048	Microsoft licensing
<b>CAO's Office</b>				
CAO General & Admin	Furniture - New	11000.39051.GEN	\$14,749	Future furniture replacements
	Furniture - New	11451.39051.GEN	\$12,710	Future furniture replacements
	Furniture - New	11453.39051.GEN	\$3,127	Future furniture replacements
	Professional Fees	11450.50072.GEN	\$12,486	Professional Fees to be used for community engagement strategy/development and implementation of community engagement framework.
	Advertising	11450.62015.GEN	\$4,400	Advertising to be used for community engagement strategy - notification to the public of new framework.
	Project Costs	11450.62375.GEN	\$35,362	Community marketing strategy
<b>Corporate Services</b>				
Human Resources	Corporate Training-Developmental	13332.27021.TRADMIN	\$32,173	Unable to deliver classroom 2020 training due to Covid-19
	Corporate Training-Systems	13332.27026.TRADMIN	\$20,558	Unable to deliver classroom 2020 training due to Covid-19
	Corporate Training-Systems	13332.27016.TRLEADEV	\$4,500	Unable to deliver classroom 2020 training due to Covid-19
	Project Costs	13332.52126.TRLEADEV	\$75,409	Support additional Njoyn implementation and PR projects
	Professional Fees	13302.50072.STRRCTMT	\$5,252	Additional monies for future background checks with Sterling once approved by IT
	Marketing	13302.62030.GEN	\$13,779	Njoyn marketing after launch & Stock Photo account for socials
	Corporate Training-Systems	13752.27031.PPLEADEV	\$39,736	Support LDP training and leadership cafes)
	Marketing	13752.62030.PPRECRT	\$3,047	Strategic employer branding content for recruitment
Customer Service	Project Costs	13052.52126.CUSPROJ	\$136,670	Project costs related to CRM implementation in 2021
<b>Total Encumbrances Requested</b>			<b>100.17171</b>	<b>\$1,590,691</b>

<b>Community Human Services</b>				
Tourism	Culture/Performing Arts Surplus	11054-TDARTS	\$13,000.00	Tourism surplus / deficits transfer to/from reserve for future implementation of Tourism Strategy
	Agri-Culinary Surplus	11054-TDCULNRY	\$12,000.00	
	Small Towns Surplus	11054-TDANGLG	\$11,475.00	
	General and Admin Surplus	11054-TDADMIN	\$12,678.00	
	Classic Cars Surplus	11054-TDCLASCR	\$9,906.00	
	Black History Surplus	11054-TDBLKHS	\$14,446.00	
	Industry Equipping Surplus	11054-TDINDTRY	\$14,588.00	
	Tourism Students Surplus	11054-TDSTUDNT	\$9,370.00	
	TDS Signage Surplus	11054-TDSIGN	\$6,242.00	
	<b>Transfer to Tourism Reserve (100.17263)</b>			